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ONE HUNDRED SEVENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

W.J. "BILLY" TAUZIN, LOUISIANA,
CHAIRMAN

October 3, 2002

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DAVID V. MARVENTANO, STAFF DIRECTOR

The Honorable Harvey Pitt
Chairman
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20545

Dear Mr. Chairman:

We were surprised to read a report in today's Washington Post, which indicates that you met with the chairman of Goldman Sachs Group Inc., a firm currently under investigation by the Commission, without the presence of Commission enforcement staff ("Pitt Met with Goldman Sachs Chairman," October 3, 2002, E4). According to this report, Commission enforcement staff were not informed of this meeting, despite the fact that the enforcement division is currently conducting your agency's inquiry into Goldman Sachs' allocation of shares of initial public offerings and potential conflicts of interest between research and investment banking functions at the brokerage.

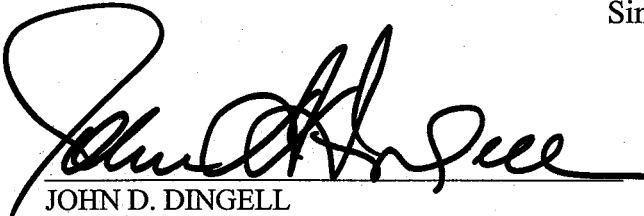
The exclusion of enforcement staff concerns us deeply for several reasons. First, in correspondence with us on May 7, 2002, following your meeting with KPMG CEO Eugene O'Kelly, you noted: "I have concluded that, in instances where a company or firm is under investigation by the Commission, I will do my utmost to avoid even the appearance of impropriety in instances where such meetings could be misconstrued." Meeting with the chairman of Goldman Sachs without the presence of enforcement staff appears to contradict the policy you described to us in your May correspondence and undermines the confidence of market participants in the Commission's impartiality. Second, the exclusion of enforcement staff signals to firms under investigation by the Commission that they can influence the course of inquiries by making their case directly to Commissioners. That you requested this particular meeting does not lessen this concern and only heightens our concerns about your judgment. Third, such meetings damage the morale of Commission staff at a time when the Commission is faced with a dramatically increased workload that is stretching its resources to the limit.

The Honorable Harvey Pitt
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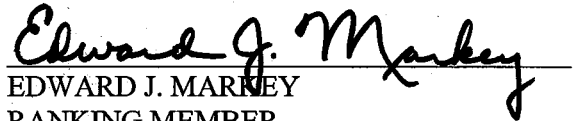
We request that you explain why you apparently departed from the policy described to us in your May correspondence regarding meetings with firms under investigation by the Commission. Did you believe that the absence of enforcement staff during a meeting with a firm under enforcement staff scrutiny supported your efforts to avoid the appearance of impropriety? During this meeting, was the SEC's pending enforcement investigation against Goldman Sachs discussed? Were ways of restructuring Goldman Sachs' research and investment banking businesses to avoid the types of conflicts that have given rise to the pending SEC enforcement investigation discussed?

We once again point out the damage these kinds of meetings do to your credibility and that of the SEC, and urge you to take all possible measures to avoid such meetings in the future. Please respond to our questions by October 11, 2002. If you have questions regarding this request, please have a member of your staff contact Consuela Washington of the Committee Democratic staff at 202-225-3641 or Mark Bayer with Rep. Markey at 202-225-2836.

Sincerely,



JOHN D. DINGELL
RANKING MEMBER
COMMITTEE ON ENERGY AND COMMERCE



EDWARD J. MARKEY
RANKING MEMBER
SUBCOMMITTEE ON TELECOMMUNICATIONS

Enclosure

cc: The Honorable W. J. "Billy" Tauzin, Chairman
Committee on Energy and Commerce

The Honorable Michael G. Oxley, Chairman
Committee on Financial Services

The Honorable John J. LaFalce, Ranking Member
Committee on Financial Services